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Estimated Soviet Defense Spending: Trends and Prospects

Central Intelligence Agency
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Key Judgments

Total Defense Spending. Our estimates of the ruble cost of Soviet defense activities during the 1967-77 period indicate that:

- Soviet defense spending, defined to correspond to US budgetary accounts and measured in constant 1970 prices, grew at an average annual rate of about 4 to 5 percent—from 35-40 billion rubles in 1967 to 53-58 billion rubles in 1977.
- Defined more broadly, as Soviet practice might require, defense spending grew from 40-45 billion rubles in 1967 to 58-63 billion rubles in 1977.

Economic Impact. The defense effort has had a substantial impact on the Soviet economy:

- During the 1967-77 period, defense spending consumed an almost constant share of Soviet GNP—11 to 12 percent or 12 to 13 percent, depending on how defense spending is defined.
- Defense investment consumed about one-third of the final product of machinebuilding and metalworking, the branch of industry that produces investment goods as well as military hardware.
- Between 65 and 75 percent of the males reaching draft age were conscripted into the Soviet armed forces. Uniformed military servicemen and civilians working for the Ministry of Defense constituted 3 to 4 percent of the total labor force.
- Defense takes a large share of the economy's best scientific, technical, and managerial talent and large amounts of high-quality materials, components, and equipment.

The armed forces accounted directly for a small share of total Soviet energy consumption. Less than 5 percent of the refined petroleum and less than 5 percent of the heat and electricity consumed by the USSR went to the armed forces.

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Composition and Allocation. Ruble estimates provide insight into the resource composition of the Soviet defense effort and the trends in resource allocation among the services. Analysis based on the narrower definition of defense—for which the estimates are more precise—indicates that during the 1967-77 period over one-half of total spending went for investment, a little over one-fourth for operating expenditures, and over one-fifth for research, development, testing, and evaluation.

Examination of defense spending according to service indicates that:

- The Air Forces and the Ground Forces received the largest shares of investment and operating spending. The share going to the Air Forces increased during the period as a result of increased spending for Frontal Aviation. The Ground Forces' share was relatively constant.
- Spending for the Navy and the National Air Defense Forces grew more slowly than defense spending as a whole. As a result, the shares of investment and operating spending going to these forces were smaller in 1977 than in 1967. Most of the growth in spending for the Navy was allocated to ballistic missile submarines, while most of the growth in spending for the Air Defense Forces was allocated to interceptor aircraft.
- The Strategic Rocket Forces received the smallest share of investment and operating spending among the five services. Spending for the SRF was primarily determined by deployment cycles for ICBMs and fluctuated more than that for any other service. By the end of the 10-year period, spending for this service was only slightly higher than in 1967.

Examination of defense spending for intercontinental and regional forces indicates that:

- Spending for intercontinental attack forces subject to SALT II limitation constituted a little over 10 percent of total defense spending and grew at a slower pace than the total.
- Spending for Ground Forces and Frontal Aviation in the NATO Guidelines Area constituted less than 10 percent of total defense spending but grew at about twice the rate of the total.
- Spending for Soviet forces along the Sino-Soviet border constituted a little over 10 percent of total defense spending and grew at more than twice the rate of the total.

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Prospects. Soviet economic growth has been slowing in the 1960s and the 1970s, and we forecast a further slowdown in the 1980s. Nonetheless, all of the evidence available to us on Soviet defense programs under way and planned suggests that the long-term upward trend in allocation of resources to defense is likely to continue into the 1980s. There is no indication that economic problems are causing major changes in defense policy. The atmosphere in Moscow with regard to the economy, however, is one of concern, and the Soviet leaders could be contemplating modest alterations in military force goals. But even if such alterations were undertaken, the rate of growth of defense spending over the next five years or so probably would slow only marginally.

- For the next two or three years, Soviet defense spending will continue to grow. Because some current ICBM, ballistic missile submarine, and fighter aircraft programs are nearing completion, the annual rates of growth in that period probably will be slightly lower than the long-run average.
- During the early 1980s we expect the Soviets to begin testing and deploying a number of the new weapon systems under development. This probably will cause the annual rates of growth in defense spending to increase to a pace more in keeping with the long-term growth trend of 4 to 5 percent a year.
- Conclusion of a SALT II agreement along the lines currently being discussed would not, in itself, slow the growth of Soviet defense spending significantly.

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